

VZCZCXRO4722
PP RUEHIC
DE RUEHAA #1656/01 3580326
ZNR UUUUU ZZH
P 240326Z DEC 09
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 3958
INFO RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 6043
RUEHBJ/AMEMBASSY BEIJING 3737
RUEHKO/AMEMBASSY TOKYO 3596
RUEHIT/AMCONSUL ISTANBUL 4285
RUCNDT/USMISSION USUN NEW YORK 1347
RHMCSSU/CDR USCENTCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 4222
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 02 ASHGABAT 001656

SENSITIVE

SIPDIS

STATE FOR SCA/CEN; EEB; NEA/IR
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE/DSTARKS

E.O. 12958: N/A

TAGS: ECON EPET PGOV EINV PREL TX
SUBJECT: TURKMENISTAN: ANY GAS LEFT FOR NABUCCO?

REF: A) ASHGABAT 1619 B) ASHGABT 1654 C) ASHGABAT 1243

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¶11. (U) Sensitive but unclassified. Not for public Internet.

¶12. (SBU) SUMMARY: The commissioning of the Turkmenistan - Uzbekistan - Kazakhstan - China gas pipeline (ref A) and the recent Turkmen-Russian decision to resume gas supplies to Russia (ref B) triggered international media speculation regarding the realization of the Nabucco gas pipeline. Some of the reports stated that with the commissioning of the Chinese pipeline, the probability that Turkmenistan will provide gas for Nabucco is unlikely. Earlier this year, the Turkmen Government indicated that Turkmenistan could supply 10 billion cubic meters (bcm) of gas to Nabucco annually, and there are grounds to believe that Turkmenistan might have enough gas for Nabucco, despite its commitments to China, Iran, and possibly Russia. END SUMMARY.

¶13. (SBU) Currently, Turkmenistan reports that it can produce 76 bcm of gas annually. In 2010, Turkmenistan plans to supply 14 bcm of gas to Iran (although Iran is unlikely to import that much), 4-5 bcm to China, and reportedly 10 bcm to Russia. Domestic gas consumption is projected to be approximately 20 bcm in 2010. Therefore, total Turkmen natural gas production for 2010 will most likely range between 48-49 bcm, which means that Turkmenistan could theoretically have about 26-27 bcm of additional gas for export.

¶14. (SBU) According to the Turkmen Government's program for oil and gas industry development up to 2030, the country is supposed to produce about 156 bcm of gas in 2014, when Nabucco is planned to come on stream. Although the Turkmen Government's hydrocarbon production development programs are well-known for their excessive optimism and the target figures are rarely achieved, it is possible that Turkmenistan could produce about 136 bcm in 2014. The production increase would only be achieved by optimizing production at the South Yoloten field, which is the largest field in Turkmenistan (a projected 40 bcm/year increase), and from onshore

and offshore territories where the GOTX has entered production sharing agreements with foreign energy companies (about 20 bcm).

15. (SBU) In 2014, Turkmenistan is expected to export 40 bcm of gas to China and 14 bcm to Iran while internal consumption is expected to reach 24 bcm, unless much-needed efficiency and conservation measures are introduced. On December 22, Turkmengaz and Gazpromexport, a Gazprom subsidiary, signed an amendment to the gas sale and purchase agreement which reportedly envisages that Gazprom will purchase up to 30 bcm per year up to 2014. If Russia actually purchases 30 bcm of gas a year until 2014, Turkmenistan would have to produce about 108 bcm a year to meet export and domestic demands in 2014, which leaves about 28 bcm of spare capacities. Should Turkmenistan reach its production goal of 136 bcm by 2014, it would still have 28 bcm of gas to spare.

16. (SBU) At the same time, most of the potential, additional gas resources are located in Turkmenistan's East, and it will require the construction of the East - West pipeline to take gas from Turkmenistan's eastern gas fields to the Caspian shore from which a potential west-bound pipeline would originate (ref C). It should also be noted that Gazprom has plans to link an East-West pipeline to the Littoral pipeline (also called the Prikaspisky pipeline), but with the current lower demand for gas on the international market, it is doubtful that the Littoral pipeline will not be constructed in the near future (ref C).

17. (SBU) COMMENT: Although Turkmenistan has pledged 10 bcm of gas for Nabucco, should the pipeline come online in 2014, the Turkmen Government is unlikely to share any political or financial risks associated with Nabucco's construction. In addition, it is unlikely that the GOTX will be able to significantly increase production without partnering with foreign companies which have the technology

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and experience needed to efficiently develop Turkmen gas often found under subsalt layers which are difficult to drill. Nevertheless, the GOTX is looking for the best deal when it comes to selling its gas, and if providing gas for Nabucco will turn a higher profit than other projects, like the Littoral pipeline, the GOTX is unlikely to refuse. END COMMENT.

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